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COUNTRY French Somaliland

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SUBJECT Development of Djibouti as a Free Port

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1. The decree establishing Djibouti and the rest of French Somaliland as a free port area has been approved by the French Cabinet and the National Assembly, but its publication is being delayed, pending decisions on certain currency matters.
2. It had been decided by the French to base the new Djibouti franc on the United States dollar, and for this purpose the Banque de France had transferred \$U.S. 2,000,000 to the Djibouti branch of the Banque d'Indo-Chine. However, in view of a possible conflict with the terms of the Anglo-French Sterling Balances Agreement, the French Foreign Office asked that issuance of the new currency be delayed until discussions could be held with the British Foreign Office. George Blowers, Governor of the State Bank of Ethiopia, was recalled from the United States to attend a conference in Paris with the Adviser to the Ethiopian Foreign Office, John Spencer. Informant considers it probable that they conferred with the Manager of the Banque d'Indo-Chine on the matter of the new Djibouti franc.
3. France will make every effort to develop Djibouti into an active free port in competition with Aden. The French expect that the majority of Ethiopian exports destined for countries other than Great Britain will be processed and shipped from there. To facilitate such shipments the French are making plans to extend the docking and other harbor facilities and will offer inducements to firms wishing to erect processing or packing plants in French Somaliland. They expect that a franc based on the U.S. dollar will attract investment capital from Ethiopia and other countries.
4. The French Government and the Compagnie Francaise de Petroles are making active preparations for the erection of a refinery at Djibouti, with a capacity of 1,000,000 tons of crude oil per year. The French chose Djibouti in preference to Diego Suarez in Madagascar for strategic reasons and because of the shorter shipping distance involved.
5. The French share of the Iraq Petroleum Company's crude output will be shipped to Djibouti upon completion of the refinery. The French hope that the Sinclair Petroleum Company will decide to establish its own refinery at the port, in the event that the Company finds and exploits oil in the Ogaden.

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